

Message Text

CONFIDENTIAL

PAGE 01 LONDON 06875 01 OF 02 021814Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
SS-15 STR-07 OMB-01 CEA-01 L-03 H-01 PA-01
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 /096 W
-----000915 021904Z /53

R 021634Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5703
TREASURY DEPT WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 06875

TREASURY FOR DONALD E. SYVRUD, IMA

E.O. 11652: XGDS-1
TAGS: EFIN, UK, PINT, ELAB
SUBJECT: TOUR D'HORIZON WITH THE SHADOW CHANCELLOR OF THE
EXCHEQUER

SUMMARY: SIR GEOFFREY HOWE, ACCOMPANIED BY ADAM RIDLEY,
ECONOMIC ADVISOR TO THE SHADOW CABINET, OUTLINED HIS VIEWS
ON A VARIETY OF SUBJECTS INCLUDING THE FINANCE BILL, ECO-
NOMIC SUMMITRY, FUTURE INCOMES POLICY, AND THE CALLAGHAN-
HEALEY TANDEM TO THE TREASURY REPRESENTATIVE AND THE EM-
BASSY'S FINANCIAL ECONOMIST. THE FOLLOWING MESSAGE SUM-
MARIZES THE MAIN POINTS OF THE DISCUSSION. END SUMMARY

1. THE FINANCE BILL.
A. SIR GEOFFREY INDICATED THAT THE TORY POSITION ON THE
FINANCE BILL (THE IMPLEMENTING LEGISLATION FOR THE TAX
CHANGES ANNOUNCED IN THE BUDGET MESSAGE) REPRESENTED A
COMPROMISE BETWEEN THE "HAWKS" WHO FAVOR THE INTRODUCTION
OF AMENDMENTS CALLING FOR SUBSTANTIAL FURTHER CUTS IN
INCOME TAXATION AND THE "DOVES", WHOM HE CHARACTERIZED AS
"STRICT MONETARISTS," WHO BELIEVED ANY MORE CUTS TO BE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 06875 01 OF 02 021814Z

IRRESPONSIBLE. N.B. THE TORY POSITION IS THAT THE BASIC
RATE OF INCOME TAX SHOULD BE REDUCED FROM 34 TO 33 PER-
CENT, REDUCTIONS SHOULD BE MADE IN THE HIGHER MARGINAL
RATES, AND THE THRESHOLDS AT WHICH THE HIGHER RATES TAKE
EFFECT SHOULD BE INCREASED. SIR GEOFFREY TOLD THE COMMONS
ON APRIL 27 THAT THE 0.5 BILLION POUND COST OF THESE
CHANGES WOULD BE MET BY REDUCING THE FINANCIAL RESOURCES

OF THE NEB BY 0.3 BILLION POUNDS, CUTTING 0.1 BILLION POUNDS FROM THE RESOURCES AVAILABLE UNDER THE COMMUNITY LAND ACT, WITH THE REST COMING FROM A REDUCTION IN ASSISTANCE FOR REGIONAL INDUSTRIAL SCHEMES.

B. SIR GEOFFREY SAID THAT THIS WAS THE MOST THE TORIES FELT ABLE TO PROPOSE BECAUSE THEY DID NOT HAVE THE VOTES IN COMMITTEE TO CARRY MORE FAR-REACHING CHANGES. HE ADDED THAT, GIVEN THE TORY VICTORIES IN TWO RECENT BY-ELECTIONS, IT WAS UNLIKELY THAT THE GOVERNMENT WOULD OPPOSE WHATEVER AMENDMENT TO THE FINANCE BILL EMERGED FROM THE COMMITTEE STAGE.

C. IN A FURTHER COMMENT, RIDLEY SAID THERE WAS A FAIR AMOUNT OF BLUFF IN THE POSITIONS BEING TAKEN ON THE FINANCE BILL DELIBERATIONS BY BOTH MAJOR PARTIES AND BY THE LIBERALS. THIS PROGRESSIVELY INCREASED THE POSSIBILITIES OF A MISCALCULATION AND A RESULT NOT FORESEEN OR NOT DESIRED BY THE PARTIES CONCERNED.

2. THE CALLAGHAN-HEALEY TANDEM.

IN THE CONTEXT OF THE RECENT BUDGET MESSAGE, SIR GEOFFREY REFERRED THE DIFFICULTY THAT THE TORIES, AS THE MAIN OPPOSITION TO THE GOVERNMENT, WERE ENCOUNTERING IN RESPONDING TO THE GOVERNMENT'S POLICIES. HE SAID THAT MESSRS. CALLAGHAN AND HEALEY, UNLIKE MRS. THATCHER OR TONY BENN, HAD NO CONSISTENT SET OF PRINCIPLES. THUS, ACCORDING TO SIR GEOFFREY, IT WAS IMPOSSIBLE TO KNOW

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 06875 01 OF 02 021814Z

WHERE EITHER MAN STOOD ON ANY GIVEN ISSUE, BUT IT WAS A VIRTUAL CERTAINTY THEY WOULD FIND A COMPROMISE THEY COULD LIVE WITH IN ORDER TO SUSTAIN THE GOVERNMENT IN OFFICE.

3. INCOMES POLICY.

A. SIR GEOFFREY EMPHASIZED THAT BOTH HE AND SHADOW EMPLOYMENT SPOKESMAN JIM PRIOR BELIEVED THAT IT WAS NOT PRACTICAL TO RETURN TO FREE COLLECTIVE BARGAINING OF THE SORT THAT CHARACTERIZED THE EARLY 1970'S. BOTH HAD PUBLICLY ATTEMPTED TO SHIFT THE EMPHASIS TOWARD THE CONCEPT OF "RESPONSIBLE COLLECTIVE BARGAINING" WHERE PAY DETERMINATION WOULD INCLUDE SOME MECHANISM FOR BUILDING A CONSENSUS BETWEEN INDUSTRY, THE UNIONS AND GOVERNMENT. TURNING TO THE OUTLOOK FOR A FURTHER PERIOD OF PAY RESTRAINT, SIR GEOFFREY DID NOT EXCLUDE THE POSSIBILITY OF THE GOVERNMENT ACHIEVING A DEAL WHICH MIGHT RESULT IN HOLDING THE RISE IN AVERAGE EARNING THROUGH JULY 1979 TO SINGLE DIGITS.

B. WHILE ON THE SUBJECT OF INCOMES POLICY, SIR GEOFFREY SOMEWHAT WISTFULLY BLAMED THE DISTINCTLY UNHAPPY STATE OF

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 06875 02 OF 02 021700Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
SS-15 STR-07 OMB-01 CEA-01 L-03 H-01 PA-01
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 /096 W
-----000429 021903Z /53

R 021634Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5704
TREASURY DEPT WASHDC

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 06875

INDUSTRIAL RELATIONS DURING THE HEATH GOVERNMENT ON AN
ATTEMPT TO TRANSFER TO BRITAIN IN THE SPACE OF TWO YEARS
INDUSTRIAL RELATIONS LEGISLATION THAT HAD TAKEN A GENERA-
TION TO ADOPT IN THE U.S. THIS WAS AN ERROR, ACCORDING
TO SIR GEOFFREY, THAT WOULD NOT BE REPEATED.

4. ECONOMIC SUMMITRY.

A. SIR GEOFFREY WAS VERY SKEPTICAL ABOUT THE VALUE OF
ECONOMIC SUMMITS. HE BELIEVED THAT THEY EXCITED
VIRTUALLY NO INTEREST IN THE MAN IN THE STREET,
THEY DISTRACTED HEADS OF STATE FROM THE MORE IMPORTANT
TASK OF PUTTING THEIR OWN ECONOMIC HOUSES IN ORDER, AND
GENERALLY ACHIEVED LITTLE OF CONCRETE VALUE THAT COULD
NOT HAVE BEEN ACHIEVED BY SENIOR CIVIL SERVANTS MEETING
MORE QUIETLY WITH THEIR OPPOSITE NUMBERS. SIR GEOFFREY
WAS QUICK TO ADD THAT SUMMITS HAD THEIR USES; PUBLICITY
FOR HEADS OF STATE RANKING HIGH AMONG THEM.

B. SIR GEOFFREY CONCLUDED BY REFERRING TO AN OBSERVA-
TION THAT RAB BUTLER MADE IN 1955 WHEN HE WAS CHANCELLOR
OF THE EXCHEQUER. BUTLER NOTED THAT BRITISH LIVING STAND-
ARDS HAD DOUBLED IN THE PREVIOUS 25 YEARS -- A SUBSTAN-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 06875 02 OF 02 021700Z

TIAL ACHIEVEMENT -- AND ONE WHICH IF REPEATED IN THE NEXT
QUARTER OF A CENTURY WOULD BE EVEN MORE SIGNIFICANT. SIR
GEOFFREY NOTED THAT DURING THEIR YEARS IN OFFICE SINCE
1955, THE TORIES HAD ACHIEVED A 60 PERCENT RISE IN LIVING
STANDARDS. LABOR HAD BARELY MANAGED TO AVOID SLIPPING
BACKWARD. HE WAS AT PAINS TO STRESS THAT ONLY BY LOWER-
ING EXPECTATIONS AND WORKING STEADILY BUT UNSPECTACULARLY
TOWARDS BUTLER'S GOAL COULD BRITAIN RETURN TO A HEALTHY
ECONOMIC STATE.

BREWSTER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON06875
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D780187-0442
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197805103/aaaadjoo.tel
Line Count: 181
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d73bd593-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2520433
Secure: OPEN
Status: NATIVE
Subject: TOUR D'HORIZON WITH THE SHADOW CHANCELLOR OF THE EXCHEQUER SUMMARY: SIR GEOFFREY HOWE, ACCOMPANIED BY ADAM R
TAGS: EFIN, PINT, ELAB, UK
To: STATE TRSY
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/d73bd593-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014